

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Monterey Township	County* ALLEGAN	Type* TOWNSHIP	MuniCode* 03-1-160
Opinion Date-Use Calendar* Aug 18, 2008	Audit Submitted-Use Calendar* Sep 12, 2008	Fiscal Year End Month*	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 243,900.00
General Fund Expenditure:	? \$ 144,498.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 124,232.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Theresa E	Last Name* Steffes	Ten Digit License Number* 1101026910		
CPA Street Address* 424 Western Ave, Suite A	City* Allegan	State* MI	Zip Code* 49010	Telephone* +1 (269) 686-9050
CPA Firm Name* Angle & Steffes, P.C.	Unit's Street Address* 2999 30th Street	Unit's City* Hopkins	Unit's Zip* 49328	

TOWNSHIP OF MONTEREY

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INDEPENDENT AUDITOR'S REPORT

August 18, 2008

To The Township Board Members of
Monterey Township
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Monterey, Allegan County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Monterey, Allegan County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Monterey as of March 31, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2008, on our consideration of the Township of Monterey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of an audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 18 through 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Argle & Steffes, P.C.
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Monterey Township as a whole and present a long-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Monterey Township's financial position strengthened from the prior fiscal year. The Township spent less in road projects compared to prior: current public works expenditures were \$400,555 while prior year public works expenditures were \$425,307. The Township has two major funds: General and Road Funds. The General Fund supports the Township's governmental services as well as supplements road projects. The road millage of 4.9167 mills supports the road improvements of the township. General funds support fire contracts, cemetery services and all other services.

Government Wide Statements

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
<u>Assets</u>		
Cash & cash equivalents	\$ 416,530	\$ 362,543
Receivables	179,441	361,912
Prepaid assets	3,064	3,073
Capital assets	<u>15,579</u>	<u>19,225</u>
Total Assets	614,614	746,753
<u>Liabilities</u>		
Current Liabilities	<u>123,011</u>	<u>303,449</u>
<u>Net Assets</u>		
Invested in Property & Equipment	15,579	19,225
Restricted for Roads	349,556	325,956
Restricted for Cemetery care	2,236	2,236
Unrestricted	<u>124,232</u>	<u>95,887</u>
Total Net Assets	\$ 491,603	\$ 443,304

Fund Highlights

The Township's financial position has remained strong over the 2007/2008 fiscal year. Property tax revenue has continued to increase slightly while state shared revenue has leveled off for now. The General Fund balance is made up of one year's operating millage taxes plus state revenue sharing dollars. There were no unusual expenses during 2007/2008. The Cemetery Trust Fund balance remains stable as only the interest can be used for grave care. The Building Permit Fund has no balance as all income goes immediately to pay expenditures for this function. The building permit activity has also leveled off after dropping steeply over the prior two years. The Road Fund balance is roughly one year's extra voted millage for roads. This fund saw activity as a major project was undertaken with the total rebuilding of one mile of 34th Street as well as the paving of one and one-tenth mile of 132nd Avenue. Monterey Township also participated in the total rebuilding and paving, to Class A standards, of one and one-half miles of 36th Street, a township line county primary road. This all was accomplished with the use of the 2007/2008 budget money as well as a contribution from the General Fund. Some routine maintenance such as extra gravel on selected sites and second mowing of the roadsides was also done.

Outlook for the Coming Year

The 2008/2009 budget is comparable with that of 2007/2008. The primary activity will be in the road fund with the paving and the rebuilt section of 34th Street, along with the complete rebuilding of one and one quarter miles of 28th Street, and assisting the County in paving extra shoulder width on two miles of 128th Avenue. These projects will use the 2008/2009 Road Fund, a contribution from the 2008/2009 General Fund, and some of the tax revenue which would normally make up the 2009/2010 Road Fund.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability of the money that it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office.

TOWNSHIP OF MONTEREY
GOVERNMENT WIDE STATEMENT OF NET ASSETS
MARCH 31, 2008

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 416,530	\$ 416,530
Investments	0	0
Receivables - net	179,441	179,441
Prepays	3,064	3,064
Capital assets - net	15,579	15,579
 Total Assets	 614,614	 614,614
LIABILITIES		
Accounts payable	0	0
Accrued and other liabilities	123,011	123,011
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	0	0
 Total Liabilities	 123,011	 123,011
NET ASSETS		
Invested in Capital Assets		
Net of related debt	15,579	15,579
Restricted For		
Streets and highways	349,556	349,556
Cemetery care	2,236	2,236
Unrestricted	124,232	124,232
 Total Net Assets	 \$ 491,603	 \$ 491,603

TOWNSHIP OF MONTEREY
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Primary Government						
General government	\$ 88,835	\$ 5,850	\$ 0	\$ 0	\$ (82,985)	\$ 0
Public safety	60,680	18,680	0	0	(42,000)	0
Public works	400,555	0	0	0	(400,555)	0
Health and welfare	6,000	0	0	0	(6,000)	0
Community/Economic development	1,941	0	0	0	(1,941)	0
Recreation and culture	3,000	0	0	0	(3,000)	0
Total Governmental Activities	561,011	24,530	0	0	(536,481)	0
Total Primary Government	\$ 561,011	\$ 24,530	\$ 0	\$ 0	(536,481)	0
General Revenues						
Property taxes					422,690	0
State-shared revenues					151,901	0
Unrestricted investment earnings					5,211	0
Rental income					1,160	0
Miscellaneous					3,818	0
Transfers					0	0
Total General Revenues-Special Items and Transfers					584,780	0
Change in Net Assets					48,299	0
Net Assets-Beginning					443,304	0
Net Assets-Ending					\$ 491,603	\$ 0

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTEREY
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2008

	General Fund	Road Fund	Non-Major Governmental Fund	Total Governmental Fund
ASSETS				
Cash and cash equivalents	\$ 214,294	\$ 200,000	\$ 2,236	\$ 416,530
Investments	0	0	0	0
Receivables - net	28,513	26,656	0	55,169
Due from other funds	1,372	122,900	0	124,272
Prepaids	3,064	0	0	3,064
Total Assets	<u>247,243</u>	<u>349,556</u>	<u>2,236</u>	<u>599,035</u>
LIABILITIES				
Accounts payable	0	0	0	0
Due to other funds	122,900	0	0	122,900
Due to other governmental units	111	0	0	111
Total Liabilities	<u>123,011</u>	<u>0</u>	<u>0</u>	<u>123,011</u>
FUND BALANCES				
Reserved for				
Road projects	0	349,556	0	349,556
Cemetery care	0	0	2,236	2,236
Unreserved	124,232	0	0	124,232
Total Fund Balances	<u>\$ 124,232</u>	<u>\$ 349,556</u>	<u>\$ 2,236</u>	<u>\$ 476,024</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	15,579
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Net Assets of Governmental Activities	<u>\$ 491,603</u>
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The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTEREY
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
March 31, 2008

	General Fund	Road Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 79,701	\$ 342,989	\$ 0	\$ 422,690
Licenses and permits	0	0	18,680	18,680
State aid	148,269	3,632	0	151,901
Charges for services	5,850	0	0	5,850
Interest and rentals	6,262	0	109	6,371
Other revenue	3,818	0	0	3,818
Total Revenues	243,900	346,621	18,789	609,310
Expenditures				
Current				
General government	84,470	0	109	84,579
Public safety	42,000	0	18,680	60,680
Public works	6,477	394,078	0	400,555
Health and welfare	6,000	0	0	6,000
Recreation and cultural	3,000	0	0	3,000
Community/Economic development	1,941	0	0	1,941
Capital outlay	610	0	0	610
Total Expenditures	144,498	394,078	18,789	557,365
Excess of Revenues Over (Under)	99,402	(47,457)	0	51,945
Other Financing Sources (Uses)				
Transfers in	0	71,057	0	71,057
Transfers (out)	(71,057)	0	0	(71,057)
Total Other Financing Sources (Uses)	(71,057)	71,057	0	0
Excess of Revenue and Other Sources Over (Under)	28,345	23,600	0	51,945
Fund Balance-April 1, 2007	95,887	325,956	2,236	424,079
Fund Balance-March 31, 2008	\$ 124,232	\$ 349,556	\$ 2,236	\$ 476,024

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY
FIDUCIARY FUNDS-STATEMENT OF NET ASSETS
MARCH 31, 2008**

Agency Fund
(Property Tax
Collection Fund)

ASSETS

Cash and cash equivalents	\$ 1,372
Total Assets	<u>\$ 1,372</u>

LIABILITIES

Due to individuals	\$ 0
Due to other funds	<u>1,372</u>
Total Liabilities	<u>\$ 1,372</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Monterey, Allegan County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Monterey conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund is a Special Revenue Fund of the Township. The Road Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Building Inspection Fund is a Special Revenue Fund of the Township. The Building Inspection Fund is used to account for all resources of the Township's permits and licenses. The Permanent Cemetery Fund is accountable for care of specific family gravesites. This permanent fund allows interest earnings only to be used in the care of specific sites. The principal cash balance is restricted from other uses. Interest earnings are deposited into the General Fund and these same dollars are used for care of the specific sites.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Monterey does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

Capitalized Asset Costs	\$ 49,523
Less Accumulated Depreciation	<u>(33,944)</u>
Capital Assets, net	15,579
Governmental Fund Balances	<u>476,024</u>
Net Assets of Governmental Activities	<u>\$ 491,603</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, Roads etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 416,530	\$ 0	\$ 416,530

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 416,530
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 416,530</u>

The bank balance of the primary government's deposits is \$416,530, of which \$200,000 is covered by federal depository insurance.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds		Non-Major and Other Funds	Total
	General Fund	Road Special Millage		
Taxes receivable	\$ 6,022	\$ 26,656	\$ 0	\$ 32,678
State share revenues receivable	22,491	0	0	22,491
Due from other funds	1,372	122,900	0	124,272
Less: allowance for uncollectibles	0	0	0	0
Net Receivables	<u>\$ 29,885</u>	<u>\$ 149,556</u>	<u>\$ 0</u>	<u>\$ 179,441</u>

*2007 Winter tax receivable balances are received from the Allegan County revolving tax collection fund within 60 days of the fiscal year end.

*State revenue share receivable reflects the constitutional and statutory sales tax for March and April 2008. Provision is according to state guidelines, allowing six revenue payments in fiscal period.

*Due from other funds is the balance of tax collection activity due to the General Fund.

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 0	0	0	\$ 0
Construction in Progress	0	0	0	0
Subtotal	0	0	0	0
Capital Assets Being Depreciated				
Buildings & improvements other than building	32,083	0	0	32,083
Machinery and equipment	16,830	610	0	17,440
Infrastructure	0	0	0	0
Subtotal	48,913	610	0	49,523
Less Accumulated Depreciation for				
Buildings & improvements other than building	17,580	2,930	0	20,510
Machinery and equipment	12,108	1,326	0	13,434
Infrastructure	0	0	0	0
Subtotal	29,688	4,256	0	33,944
Net Capital Assets Being Depreciated	19,225	(3,646)	0	15,579
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 19,225</u>	<u>\$ (3,646)</u>	<u>\$ 0</u>	<u>\$ 15,579</u>

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and an old township hall where historical cost values are unknown. These assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 4,256
Public safety	0
Public works	0
Economic development	0
Recreation and culture	0
Total Governmental Activities	<u>\$ 4,256</u>

**TOWNSHIP OF MONTEREY
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds			
<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	\$ 1,372	Tax Collection	\$ 1,372
Road Special Millage	122,900	General	122,900
Total	<u>\$ 124,272</u>		<u>\$ 124,272</u>

Receivable account balances: Tax collection balances are due to the General Fund for final settlement of general tax activity. Current year special voter road tax collections are retained in two bank accounts - one Road fund CD held in the Road fund and the remaining special tax collections are held in the General Fund checking. These monies are due to the Road fund for road improvements planned for completion in the coming fiscal year.

Interfund Transfers

<u>Transfers In</u>	<u>Transfers (Out)</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
Road Special Millage Fund	\$ 71,057	\$ 0	\$ 71,057
Non-Major Governmental Fund	0	0	0
Total	<u>\$ 71,057</u>	<u>\$ 0</u>	<u>\$ 71,057</u>

Current year road projects were funded by prior year tax collections, metro act right of way funds and support by the General Fund. The transfers out from the General Fund represent the contributions made to continue road improvement projects in the township that are not paid for by the road levy alone.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF MONTEREY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 72,000	\$ 81,000	\$ 95,887	\$ 14,887
Resources (Inflows)				
Property taxes	79,000	79,000	79,701	701
State aid	142,500	142,500	148,269	5,769
Licenses and permits	0	0	0	0
Charges for services	6,600	6,600	5,850	(750)
Interest and rentals	3,000	3,000	6,262	3,262
Miscellaneous revenues	4,100	4,100	3,818	(282)
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	307,200	316,200	339,787	23,587
Charges to Appropriations (Outflows)				
General Government				
Township board	17,400	17,400	15,786	1,614
Supervisor	8,000	8,000	8,000	0
Finance	2,400	2,400	2,200	200
Treasurer	12,700	12,700	13,049	(349)
Assessing	13,500	13,500	9,683	3,817
Elections	3,200	3,200	1,538	1,662
Clerk	11,700	11,700	10,648	1,052
Board of review	1,000	1,000	764	236
Other General Government				
Building and grounds	4,400	4,900	4,163	737
Attorney	3,000	3,000	284	2,716
Cemetery	23,200	23,200	18,355	4,845
Public Safety				
Fire	43,000	43,000	42,000	1,000
Public Works				
Transfer station	7,900	7,900	6,477	1,423
Recreation and culture	3,000	3,000	3,000	0
Health and welfare	6,000	6,000	6,000	0
Community/Economic development	9,200	9,200	1,941	7,259
Capital outlay	2,000	2,000	610	1,390
Transfers to other funds	59,600	68,100	71,057	(2,957)
Total Charges to Appropriations	231,200	240,200	215,555	24,645
Budgetary Fund Balance-March 31	\$ 76,000	\$ 76,000	\$ 124,232	\$ 48,232

**TOWNSHIP OF MONTEREY
BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 310,000	\$ 323,100	\$ 325,956	\$ 2,856
Resources (Inflows)				
Property taxes	330,000	330,000	342,989	\$ 12,989
State aid	3,000	3,000	3,632	\$ 632
Transfers In	68,100	68,100	71,057	\$ 2,957
Amounts Available for Appropriation	<u>711,100</u>	<u>724,200</u>	<u>743,634</u>	<u>19,433</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>381,100</u>	<u>394,200</u>	<u>394,078</u>	<u>122</u>
Total Charges to Appropriations	<u>381,100</u>	<u>394,200</u>	<u>394,078</u>	<u>122</u>
Budgetary Fund Balance-March 31	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ 349,556</u>	<u>\$ 19,555</u>

ADDITIONAL INFORMATION

**TOWNSHIP OF MONTEREY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008**

	Building Inspection	Permanent Cemetery Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 0	\$ 2,236	\$ 2,236
Investments	0	0	0
Receivables - net	0	0	0
Due from other funds	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 2,236</u>	<u>\$ 2,236</u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	0
Total Liabilities	0	0	0
Fund Balance			
Reserved	0	2,236	2,236
Unreserved	0	0	0
Total Fund Equity	<u>0</u>	<u>2,236</u>	<u>2,236</u>
Total Liabilities and Fund Equity	<u>\$ 0</u>	<u>\$ 2,236</u>	<u>\$ 2,236</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTEREY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008

	Building Inspection	Permanent Cemetery Fund	Total Non-Major Governmental Funds
Revenues			
Taxes and penalties	\$ 0	\$ 0	\$ 0
Licenses and permits	18,680	0	18,680
State aid	0	0	0
Interest	0	109	109
Other revenue	0	0	0
	<hr/>	<hr/>	<hr/>
Total Revenues	18,680	109	18,789
Expenditures			
Current			
Public safety	18,680	109	18,789
	<hr/>	<hr/>	<hr/>
Total Expenditures	18,680	109	18,789
Excess of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses)			
Operating transfers (out)	0	0	0
	<hr/>	<hr/>	<hr/>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	0	0
Fund Balance - April 1, 2007	0	2,236	2,236
	<hr/>	<hr/>	<hr/>
Fund Balance - March 31, 2008	<u>\$ 0</u>	<u>\$ 2,236</u>	<u>\$ 2,236</u>

The Notes to the Financial Statements are an integral part of this statement.

ANGLE & STEFFES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
American Institute of Certified
Public Accountants (AICPA)

Michigan Association of Certified
Public Accountants (MACPA)

424 WESTERN AVENUE, SUITE A
ALLEGAN, MICHIGAN 49010

STEVEN K. ANGLE, CPA
THERESA E. STEFFES, CPA, CGFM

Ph: (269) 686-9050
Fax: (269) 686-9056
email: mail@anglesteffes.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

August 18, 2008

Township of Monterey
Township Board Members
Hopkins, MI 49328

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Monterey, Hopkins, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 18, 2008. We conducted our audit on accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Monterey's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Monterey, Hopkins, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be

significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Monterey, Hopkins, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We note certain matters for management's attention and improvement, those control deficiencies that are not considered significant deficiencies or material weaknesses involving internal control:

Uninsured Funds

The FDIC's regulations governs the insurance coverage of public units' accounts. The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the same bank within the State are added together and insured up to \$100,000. Separately, all demand deposits owned by the public unit and held by the same bank within the State are added together and insured up to an additional \$100,000. The Township maintains demand and savings deposits in one bank, United Bank of Michigan, totaling \$416,530 as of March 31, 2008. Of these funds, \$216,530 is uninsured by the FDIC. We are aware that the Township has begun to spread the funds between demand and savings accounts in one bank, however, we continue to recommend that additional Michigan banks become utilized to cover Township funds in FDIC insured accounts.

This report is intended solely for the information and use of management and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,



Angle & Steffes, P.C.
Certified Public Accountants
Allegan, Michigan